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PRELIMINARY OBSERVATIONS
ON THE
ECONOMIC ACCOUNTS OF QUEBEC

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Co-ordination Group,
Federal-Provincial
Relations Office

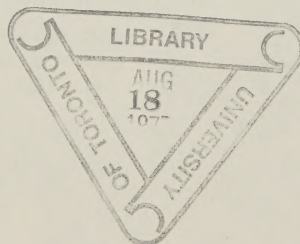
PRELIMINARY OBSERVATIONS ON THE
ECONOMIC ACCOUNTS OF QUEBEC

The purpose of this document is to communicate to Members of Parliament and Senators some preliminary observations on the interpretation given on March 25 by the Premier and the Minister of Industry and Commerce of Quebec to the Economic Accounts of Quebec, which were published the same day by the government of that province.

The Economic Accounts present very useful information on the development of the Quebec economy from 1961 to 1975:

- what has been produced, consumed, saved and invested during that period by three distinct categories of economic agents: households, companies or corporations, and governments;
- what these economic agents have received in income - from Quebec sources only - and incurred as expenses - again in Quebec only - over the same period.

The Economic Accounts of Quebec, like those of other provinces, constitute a highly useful analytical and planning tool for private and governmental organizations that are interested in economic development at both the federal and provincial levels. For the federal government, this is particularly the case for the departments of Regional Economic Expansion, Finance, and Industry, Trade and Commerce.



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Before going further, it should be noted that the provincial economic accounts:

- a) measure only one part of the federal government activities which the population of each province pays for and benefits from;
- b) cannot be used to measure the costs and benefits of Canadian Confederation to a particular province, in this case Québec;
- c) cannot be used to estimate the costs or the benefits that would result from Québec's separation from the rest of Canada or the direct impact of such a political upheaval on Quebecers' incomes.

What the Economic Accounts Are

The "Economic Accounts" are in the form of a 222-page document containing the initial results for Québec of a new provincial economic accounting system developed by Statistics Canada in co-operation with the provinces.

The first four chapters of the document describe the new system, define the economic concepts, and give certain details on the methods used by the Québec statisticians to identify and measure the principal dimensions of economic activity in Québec. In general, these definitions and methods are largely the same as those used by the experts in Statistics Canada and in the other provinces. A fifth chapter gives a summary of the evolution of the main economic variables in Québec during the period covered by the study, 1961 to 1975.

This evolution is presented in more detail in the 52 tables which really constitute the Economic Accounts of Quebec. The data on the years 1961-71 given in these tables are essentially the same, with the exception of minor revisions, as those compiled by Statistics Canada; most of the data for the years 1972-74 were also provided by Statistics Canada, with the remainder being estimates made on the same basis as that used in previous years by the Quebec statisticians. On the other hand, the data for 1975 are, with only a few exceptions, estimates made by the Quebec government.

Statistics Canada has already provided the other provinces with a preliminary version of their economic accounts for the 1961-71 period and will be able to provide them with complementary tables for the 1972-74 period at the meeting of the federal-provincial committee on provincial economic accounts, to be held April 18 to 20 in Edmonton. Each province is free to publish its accounts if and when it sees fit.

In short, the federal-provincial program, which made it possible for the government of Quebec to publish, on March 25, the economic accounts of the province, has attempted to identify and to measure the principal dimensions of economic activity within the territory of each Canadian province.

SOME FINDINGS

The Economic Accounts of Quebec in fact show that the Quebec economy did relatively well during the period in question. Based on the Economic Accounts, a number of observations can be made which Premier Lévesque and Rodrigue Tremblay, the Minister, chose to overlook in their statements of March 25.

1. Production

From 1961 to 1975, the gross domestic product (GDP) of Quebec, expressed in 1975 dollars to remove the effect of inflation¹, rose from \$21,297 million to \$39,567 million, representing a real, average annual growth rate of 4.5 per cent. This is lower than the growth rate of Canada, but higher than the rate registered during the 1962-73 period by the German Federal Republic, Switzerland, Sweden, Denmark, Luxemburg, the United Kingdom and Ireland and the same as that recorded by Italy.²

In other words, the Quebec economy developed more rapidly in the Canadian context than eight independent member countries, including some of the wealthiest, of the Organization for Economic Co-operation and Development (OECD).

2. Per capita production

From 1961 to 1975, the per capita gross domestic product of Quebec, expressed in 1975 dollars, rose from \$4,050 to \$6,394. This was an increase of 58 per cent, which placed Quebec ahead of some of the richest and most industrialized countries in the world. In fact, of the twenty-five member countries of the OECD, only three - the USA Sweden and Canada - registered a real per capita GDP (expressed in 1970 US dollars) higher than that of Quebec.³

¹The data from the Economic Accounts of Quebec have been "deflated" using the implicit price index of Canada's gross national expenditure, which is the most suitable index available at present.

²National Accounts of OECD countries, Paris, 1975.

³Principal Economic Indicators, OECD, November 1976

3. Personal income

During the same fifteen-year period, overall personal income in Quebec rose from \$15,699 million to \$32,870 million (again in 1975 dollars), an average annual real growth rate of 5.4 per cent. The growth rate for personal income was therefore considerably higher than that of the gross domestic product in Quebec. This difference is due mainly to the redistribution to Quebecers by the federal government of revenues derived from Canada's richest provinces.

4. Per capita personal income

From 1961 to 1975, the per capita personal income of Quebec rose from \$2,982 to \$5,312, an increase of 78 per cent. This increase was much larger than that of the per capita gross domestic product. This was possible mainly because the federal government, by means of its social security programs, supported the incomes of Quebecers by using the resources of the more productive provinces.

5. Social security

The Economic Accounts of Quebec clearly indicate that the federal government's social security programs have been highly advantageous to Quebecers. From 1961 to 1975, total payments made by the federal government to individuals in Quebec rose from \$973 million (in 1975 dollars) to \$2,931 million. As a result of family allowances, old age pensions, unemployment insurance and other such federal programs, the real per capita income of Quebec from direct federal transfer payments was \$474 in 1975 - two and one-half times higher than in 1961.

6. Payments to the Quebec government

During the same period, amounts paid by the federal government to the Quebec government more than quintupled,

increasing from \$435 million in 1961 to \$2,197 million in 1975. Equalization payments and federal programs such as hospital and medical insurance amounted to \$355 per capita for Quebec in 1975, as compared with \$83 per capita fifteen years earlier. It will be noted that the federal government in this way has financed a high percentage of the expenditures of provincial and local administrations in Quebec. Rodrigue Tremblay, the Minister, has drawn attention to such expenditures - particularly to salaries and to investments and purchases from companies and corporations - as being related to direct job creation. In 1973, for example, the federal government could be said to have financed 17 per cent, or \$937 million, of expenditures by Quebec and its local governments for these forms of direct job creation.

Interpreting the Accounts

There is, then, in the statistical paper published on March 25 by the government of Quebec, a number of easily verifiable points which clearly establish that "the very existence of a federal government", in the words of Premier Lévesque, is the source of considerable economic benefit for Quebecers.

However, the Economic Accounts of Quebec by no means give the whole economic picture of Quebec or measure all aspects of Quebec's economic relations with the other provinces of Canada, with the federal government or with foreign countries. The economists and statisticians who prepared the Economic Accounts, in fact, drew attention to this in their description of the methodology.

In brief, for technical reasons, the Economic Accounts constitute a very limited analytical tool when used

to examine how the Canadian economy functions, to draw up any interprovincial balance sheet of the federal government's economic activity, or to estimate Quebec's balance of payments with the rest of Canada and foreign countries.

Earlier it was seen that the Economic Accounts attempt to measure Quebec's gross domestic product, that is, the total value of goods and services produced within that province. This means that the methodology of the Economic Accounts excludes, by definition, certain expenditures and revenue attributable to Quebecers.

On the other hand, this methodology includes in Quebec's gross domestic product expenditures that are only partly paid for by Quebecers, and revenues that they will never receive either because they owe them to residents in other provinces or to foreigners, or because such revenues are made up of taxes actually borne by taxpayers in other provinces.

From the economic accounting standpoint, the methodology used in the Economic Accounts is valid (although there are others that could have been used just as correctly) - provided one does not attempt to make the tables say more than they actually can say. Therefore, it is all a question of interpretation.

Thus, the conclusions regarding the supposed "federal surplus" realized in Quebec and the hypothetical "current external balance" of the Quebec economy, as drawn

by the Quebec minister of Industry and Commerce on the basis of the Economic Accounts, in the introductory document which he distributed on March 25, could be valid only if he added to or subtracted from Quebec's gross domestic product these various revenues and expenditures, in order to arrive at a gross provincial product. What is at issue is not simply "a few million dollars here and there", as Mr. Tremblay told the press; for 1973 alone, the sums at issue could easily total \$700 million more and a billion dollars less.

WHAT THE ECONOMIC ACCOUNTS EXCLUDE

1. Foreign investment income

Every day, individuals, corporations and financial institutions in Quebec buy and sell shares and bonds issued in foreign countries - shares of large American corporations, for example. These Quebec economic agents thus receive interest or dividends on such investments, which swell the "provincial revenue" generated in Quebec itself and constitute an additional source of either purchasing power or savings.

Such investment income is excluded, as it should be, from the GDP calculated in the Economic Accounts of Quebec, but it should have been considered before making any statements about the current account balance of the Quebec economy. For 1973 alone, these revenues from foreign sources are estimated at about \$170 million.

2. Investment income from other provinces

Similarly, every day, individuals, corporations and financial institutions in Quebec buy and sell shares and bonds issued in other Canadian provinces, e.g. Nova Scotia government bonds, Ontario industrials, Alberta oils, British Columbia forests and mines. These investments also generate interest or dividends and constitute for Quebecers - including the Quebec Deposit and Investment Fund - a substantial source of revenue, and therefore of purchasing power or savings.

The Economic Accounts also exclude from the GDP other investment income which it is difficult to estimate accurately at the present time.

3. Salaries paid to residents working outside Quebec

Many thousands of individuals reside in Quebec but work in another province and consequently receive their salaries and wages from an "outside" source. This is especially the case with more than 15,000 federal public servants who live in the Quebec section of the National Capital Region but who are employed in departmental headquarters located in Ottawa.

If an attempt is made to measure the Quebec GDP, as the Economic Accounts do, these revenues must be excluded. However, they must be included when attempting to evaluate the final demand for the Quebec economy, which Mr. Tremblay has clearly claimed to do. For 1973 alone, the salaries paid to federal public servants working in Ontario but residing in Hull and in the other Quebec municipalities making up the National Capital Region were estimated at over \$100 million.

4. Federal government expenditures abroad

Any time a Quebec businessman or tourist uses the services of a Canadian embassy, consulate or trade mission abroad, he is "importing" public services; this "importation" is paid for out of the taxes he pays to the federal government.

The Economic Accounts completely disregard these transactions, real as they are. They exclude all federal government expenditures abroad, although they include all the taxes and revenues paid by Quebecers to the federal government and out of which these expenditures are financed. The same holds true for the economic accounts of the other provinces.¹

For 1973 alone, the expenditures incurred abroad by the federal departments of External Affairs and Industry, Trade and Commerce were estimated at about \$100 million. We should point out that several other federal departments and agencies incur expenditures outside the country when representing Canadian - and therefore Quebec - interests.

Under NATO, the federal government also maintains a large military contingent in the Federal Republic of Germany; it also assigns some Canadian Armed Forces personnel to UN peace-keeping operations, mainly in Cyprus and the Middle East. Provincial estimates of gross domestic product exclude all expenditures that the Department of National Defence incurs abroad for these purposes. For 1973 alone, these expenditures amounted to some \$164 million.

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¹ The federal government's foreign investment income is similarly excluded.

Provincial economic accounts - including Quebec's - also exclude from the measure of domestic product any grants paid to other countries by the Canadian International Development Agency (CIDA) and other transfer payments made abroad by the federal government. Estimates of these transfer payments amount to \$312 million for 1973 alone.

In short, the federal government spent more than \$600 million abroad in 1973. No mention is made of these expenditures in the Economic Accounts of Quebec, even though they were provided in part out of the taxes paid by Quebecers to the federal treasury that year.

It should be noted that one quarter, or approximately \$150 million, of these expenditures may be imputed to Quebecers.

5. Expenses incurred outside Quebec by the head offices of federal government departments

Every day federal government department head offices deal with Quebec issues, push ahead with their analysis of some aspect of Quebec's economic, social or cultural problems, or work on proposals to promote the development of Quebec and the other regions of Canada. The subjects of their work range from energy and the aerospace industry to transportation, regional development, public health and foreign policy.

Federal government department head offices located outside Quebec are therefore at least as "productive" as their Quebec regional offices or Quebec-based head offices.

However, the operating costs of head offices outside Quebec are not included in the gross domestic product of Quebec, whereas the costs of Quebec regional offices and Quebec-based head offices are included in the Economic Accounts.

The provincial economic accounts did assign some financial value to federal public services provided within the territory of Quebec but seem to consider federal services "imported" from other provinces to be valueless or, more precisely, "free".

In fact, the logic of federal budget accounting for each province should be very different: a large portion of the federal taxes paid by Quebecers, as by other Canadians, is used to finance the activities of the head offices of federal government departments, whether they are located in Ottawa, Quebec or elsewhere. The operating costs in 1973 of head offices located in the Ontario sector of the National Capital Region are estimated to have been over \$1.4 billion. A large portion of these disbursements will "cross" the Ottawa River and increase Quebec's gross domestic product when new federal buildings have been completed in Hull and the head offices of a dozen federal departments and agencies are relocated there.

It should be noted, as an illustration, that Quebec's contribution to the operating costs of federal department head offices in Ottawa in 1973 was approximately \$350 million. This figure shows once again that one cannot rely on just one method - be it provincial economic accounts or any other - to estimate the economic costs or benefits that a community such as Quebec derives from its membership in the political and economic federation of Canada.

ITEMS THAT SHOULD NOT HAVE BEEN INCLUDED IN THE ACCOUNTS

The following comments are a counterpart to preceding remarks. They deal with incomes and expenditures that should have been excluded from the Quebec GDP in order to measure correctly the "final demand" or the "current external balance" of the Quebec economy, or to determine whether the federal government is taking a larger or smaller amount of income from Quebecers than it is spending for their benefit.

1. Funds paid to foreigners

The Economic Accounts of Quebec include in the gross domestic product of Quebec interest and dividends that individuals, companies and government bodies owe to foreign creditors and shareholders.

Although Quebecers do not receive any of these particular revenues, they are, nevertheless, included in the Quebec accounts as part of the provincial product. The total interest and dividends that Quebec economic agents had to pay to foreign creditors and shareholders in 1973 were estimated to be approximately \$525 million. Interest paid to foreigners by the provincial and local governments alone amounted to approximately \$225 million in the same year.

2. Funds owed to residents of other provinces

The interest and dividends owed by Quebec economic agents to creditors and shareholders in other Canadian provinces are also included in the Quebec GDP.

However, these items represent a production "cost", specifically the amount of money that the Quebec economy must produce in order to pay the holders of the financial capital that it has procured elsewhere in Canada. At the present time no reliable estimates exist for this particular outflow of funds.

3. Salaries paid to non-residents working in Quebec

Salaries paid to non-residents working in Quebec are included when the GDP is calculated, even though the greater part of the sum in question represents one of those "leaks" of overall demand which are such a great cause of concern to the Quebec Minister of Industry and Commerce. Here again, this phenomenon is evident particularly in the National Capital Region; approximately one quarter of the federal public servants working in Quebec are resident in Ontario. The salary total in question was quite moderate in 1973 - slightly over \$10 million - but since then it has grown considerably and will continue to grow as new federal buildings under construction in Hull are occupied.

4. Expenditures in Quebec by headquarters offices of the Federal Administration

All expenditures in Quebec by headquarters offices of federal departments and agencies situated in the province - principally in Hull - are included in Quebec's GDP. These administrative entities serve every province in the country, however, and "export" to the provinces an important percentage of the public services they produce.

In 1973 the expenditures on goods and services of the federal entities situated in the National Capital Region Quebec sector were evaluated at over \$95 million. The majority of these offices were headquarters rather than provincial branch offices. The Quebec share in these expenditures would therefore have been approximately \$24 million.

ALLOCATION OF INDIRECT TAXES

Another aspect of the economic accounting used by the Province has the effect of systematically and substantially over-estimating the taxes levied in Quebec but actually paid by consumers in other provinces.

The Economic Accounts of Quebec attribute to Quebec all the receipts of federal indirect taxes levied in the province. The methodology used for calculating the GDP attributes to Quebec all the customs duties collected in Quebec and all the excise taxes and duties which the federal government levies on Quebec manufacturers, including the duties and taxes which enter into the price of goods sold outside Quebec.

This method of breakdown can be justified within the framework of national and provincial accounts, where it is extremely desirable to have compatible systems which permit the integration of statistics. However, if we wish instead to measure the economic impact of the federal tax system on the residents of Quebec, it is much preferable to evaluate the burden which is actually imposed by indirect taxes on Quebec consumers. If receipts from indirect federal

taxes from 1961 to 1975 are broken down on that basis among the provinces, it produces a far lower share for Quebec than the amounts published in the Economic Accounts.

The attached table summarizes the result of an estimate based on various indices of consumption. In this table, the value (in current dollars) of the indirect federal taxes borne by Quebec consumers (from 1961 to 1975) totals \$16.2 billion. For the same period, the Economic Accounts attribute to the federal government over \$20.4 billion in receipts originating in Quebec as indirect taxes. The difference between these two sums is \$4.2 billion.

The Economic Accounts of Quebec attribute to the Province over 40 per cent of excise duties (on tobacco, spirits and beer) levied in Canada as a whole, and for two years Quebec's share amounts to over one half. For other indirect taxes, it can be observed that in almost all cases and for each year, the proportion attributed to Quebec in the Economic Accounts is higher than the Province's share of population. Nevertheless, an examination of various consumer indices, such as retail sales or disposable personal income, shows that Quebec's share, as compared to that of the other provinces, is regularly less than its share of the Canadian population. This difference is clearly the result of the fact that Quebec includes several ports of national importance - the port of Montreal, for example - and the fact that several major manufacturing industries are concentrated there.

One of the major conclusions which Mr. Lévesque and Mr. Tremblay draw from the Economic Accounts of Quebec is that during the 1961-1975 period the federal government

collected in Quebec revenues amounting to \$4.3 billion more than the expenditures it made in the province, and that accordingly it derived a "surplus" equal to the same amount, paid for by Quebecers.

It will be observed, here and elsewhere, how tenuous that conclusion is. It is entirely attributable to the method of breaking down indirect federal government taxes among the province. In sum, this interpretation by the Quebec government could alone explain an entirely fictitious financial imbalance, with respect to which the Premier of Quebec has nevertheless proceeded to draw dramatic conclusions - to be commented on later.

THE CLASSIFICATION OF FEDERAL PUBLIC CORPORATIONS

The receipts, expenditures, savings and investments of the Post Office Department and of federal crown corporations are classified in the consolidated production account (private sector) of the Economic Accounts of Quebec, as is done in the corresponding national accounts of Canada. Only the operating surpluses or deficits of the Post Office and these corporations are classified as revenues or expenditures of the federal government.

Expenditures by the Post Office Department were \$551 million in 1973, but since postal receipts that year amounted to \$476 million, only the postal deficit of \$75 million was included in the federal expenditures to be allocated among the provinces. Hence, the amount allocated to Quebec for expenditures by the Post Office is limited to its share of the \$75 million deficit.

However legitimate this may be in terms of economic accounting, this procedure has the effect of concealing an important dimension of the effect of the federal public sector on the Quebec economy. In fact, around twenty-five per cent of the staff of the Post Office Department is located in Quebec. In 1973 there were some 12,500 employees of this department in Quebec, with their salaries amounting to approximately \$113 million. A large sum was also spent in Quebec on goods and services by the Post Office.

The allocation to the business sector of the activity of federal crown corporations is even more important if the economic accounts are used to draw up any kind of financial balance sheet for federal activity in Quebec.

In fact, the location in Quebec of the headquarters of the largest publicly owned federal enterprises such as the Canadian National Railways, Air Canada and Teleglobe Canada is due to "the very existence of a federal government", to use Premier Lévesque's own expression. In addition to these very important head office activities, it is necessary to take account of other crown corporations such as the C.B.C. and the National Harbours Board to gain an idea of the economic contribution made to Quebec by publicly owned federal enterprises.

In 1973 these federal enterprises had more than 36,500 employees in Quebec to whom more than \$363 million in salaries was paid. Almost all of this amount, as well as the other costs of operation for these crown corporations is not classified as a federal expenditure in the Economic Accounts of Quebec.

THE ECONOMIC ACCOUNTS AND THE ARGUMENT OF MR. LEVESQUE
AND MR. TREMBLAY

It is obvious from the preceding that the conclusion which the present Quebec government claims to derive from the Economic Accounts of Quebec and which Premier Lévesque has presented as being "absolutely incontestable" can by no means be derived if the Accounts are correctly interpreted. The leader of the Quebec government has stated that "these tables provide a clear picture of whether Quebec is gaining or losing in its relations with the rest of Canada". However, the preceding observations have clearly established that provincial economic accounting, in its present form, leaves out too many economic realities to permit such an interpretation.

The best illustration of this is provided by a consideration of the two main observations made by Premier Lévesque on the basis of his analysis of the Economic Accounts of Quebec.

First observation by Mr. Lévesque

"In the first place, the very existence of a federal government which taxes Quebecers in exchange for services which it provides to them, has cost Quebec, in 15 years, the impressive sum of \$4.3 billion."

Observations

1. This interpretation of the Economic Accounts of Quebec overestimates by approximately \$4.2 billion the indirect taxes which Quebec consumers actually paid

to the federal government during that period.

2. The "saving" of \$4.3 billion supposedly realized in Quebec by the federal treasury from 1961 to 1975 represents in reality the value of indirect taxes - customs and excise duties, excise taxes and federal sales tax - collected in Quebec but actually paid by consumers in other provinces.

3. It is therefore not a "coincidence", as Mr. Tremblay stated to the press, that the "surplus" which the federal government supposedly realized in Quebec over this fifteen-year period is of the same size as the "net exports" determined in the Quebec accounts by residual calculation. As it turns out, what the province has in fact exported is a supposed fiscal burden.

4. The statisticians who prepared the Economic Accounts were in fact very careful about this question. Thus, in their explanatory text they said: "the only valid interpretation of this residual is to consider it as a surplus or a deficit of federal revenues collected in Quebec over the current expenditures of federal offices or branches operating in Quebec".⁽¹⁾

5. On the contrary, the interpretation given by Mr. Lévesque and Mr. Tremblay to this surplus entirely omits the cost of public services of head offices of the federal government located in Ottawa and elsewhere outside Quebec which Quebecers benefit from. This is a cost of which Quebecers have had to assume approximately one quarter - that is, at the least, \$350 million for the year 1973 alone.

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(1) Economic Accounts of Quebec, page 78.

6. Nor does this interpretation take into consideration the expenditures made abroad by the federal government for diplomatic and trade representation and defence. Quebecers have had to defray about one quarter of these expenditures, or at least \$150 million in 1973.

7. Finally, this interpretation omits the salaries paid to federal employees who are residents of Quebec but who work in government offices in the Province of Ontario - an omission of more than \$100 million.

Second Observation

"...The second basic finding that can be drawn from these economic accounts is related to the other central feature which emerges, namely, Quebec's balance of payments (...) Quebec, in fact, was a net exporter of capital from 1961 to 1975, since it realized surpluses on its current account with the rest of the world totalling some \$4.3 billion (...) In other words, a substantial portion of the saving realized by Quebecers was exported via the federal government to finance the development of other provinces."

However, despite what was stated on the subject by Mr. Lévesque and Mr. Tremblay, the Economic Accounts of Quebec, do not permit one to evaluate either the balance of merchandise trade, or the current account balance, or the balance of payments of Quebec with the rest of the world.

1. The Economic Accounts contain no direct estimate of either exports or imports of good and services for the Province of Quebec.

2. The "net exports" balance appearing in table 2 of the statistical document is a catch-all including such items as

- the balance of merchandise trade;
- the share of federal indirect taxes collected in Quebec but actually borne by consumers in other provinces;
- the Quebec share of the cost of the public services made by out-of-Quebec head offices of the federal government, including its offices abroad;
- as well as a residual error which could actually be very important, given the developmental nature of the system of provincial economic accounting.

3. Even if it were possible to separate from this catch-all the Quebec share of federal expenditures outside of Quebec, and the indirect taxes collected from within Quebec but paid by non-Quebecers, this residual would not equal the balance of the current account. The Quebec accounts are based on the concept of gross domestic product which, by definition, does not take into consideration flows of interest and dividends between Quebec and the outside.

4. The amounts which Mr. Tremblay has listed under the designation "current account balance of Quebec" in the right-hand column of table 1 in the introductory document which he made public on March 25 therefore do not truly measure Quebec's current account balance. Rather, this is the sum, of a savings residual taken from the consolidated capital financing account (table 10) and from a percentage arbitrarily fixed at 20 per cent, of the undistributed profits of corporations for Canada as a whole.

5. The Quebec economy, like that of the whole of Canada, generally registers a deficit for receipts and payments of interest and dividends abroad. During 1973 alone, for example, it is estimated that Quebecers had to pay out \$360 million more abroad in interest and dividends than they received.

6. Although no valid estimate of flows of interest and dividends between Quebec and the other provinces is available, nothing indicates that the Quebec economy enjoy a surplus under this category sufficient to offset the deficit which it must experience with foreign countries under the same heading.

7. Finally, no estimate of Quebec's external balance of payments can be established without examining the capital account, that is, the movement of capital between this province, the rest of Canada and abroad. However, the data which would have made this possible are not available.

GENERAL CONCLUSIONS

1. The Economic Accounts of Quebec do not permit an evaluation of the impact of the revenues, expenditures and other financial operations of the federal government on the Quebec economy.
2. These accounts do not permit any conclusions to be drawn on the balance of merchandise trade, the current account balance, or the capital account balance nor, as a consequence, on Quebec's external balance of payments.
3. Finally, these accounts do not permit any conclusion concerning the possible value of a hypothetical Quebec currency.

APPENDIX

ALLOCATION TO QUEBEC OF INDIRECT TAXES COLLECTED BY THE FEDERAL GOVERNMENT -- 1961-1975

| | Proportion allocated to Quebec in the Economic Accounts of Quebec | Proportion allocated to Quebec according to relevant indices of consumption | Difference |
|-------|--|--|------------|
| | \$000'000 | \$000'000 | \$000'000 |
| 1961 | 865 | 601 | 264 |
| 1962 | 923 | 651 | 272 |
| 1963 | 913 | 662 | 251 |
| 1964 | 1,002 | 784 | 218 |
| 1965 | 1,105 | 896 | 209 |
| 1966 | 1,202 | 972 | 230 |
| 1967 | 1,235 | 1,020 | 215 |
| 1968 | 1,266 | 1,012 | 254 |
| 1969 | 1,345 | 1,075 | 270 |
| 1970 | 1,353 | 1,072 | 281 |
| 1971 | 1,483 | 1,171 | 312 |
| 1972 | 1,669 | 1,315 | 354 |
| 1973 | 1,807 | 1,478 | 329 |
| 1974 | 2,142 | 1,758 | 384 |
| 1975 | 2,123 | 1,730 | 393 |
| TOTAL | 20,433 | 16,197 | 4,236 |

Sources: - Economic Accounts of Quebec, tables 44, 45, 46 and 48
 - Preliminary study done by the task force of the
 Federal-Provincial Relations Office of the Government of Canada.

